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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

AT

TO:

[Redacted box]

DATE:

5/3/78

FROM:

Jim Simpson

Re your request

78-0923

OMB FORM 38
REV AUG 73

STATEMENT OF ALAN K. CAMPBELL, CHAIRMAN
U. S. CIVIL SERVICE COMMISSION
BEFORE THE
COMPENSATION AND EMPLOYEE BENEFITS SUBCOMMITTEE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U. S. HOUSE OF REPRESENTATIVES

February 21, 1978

Madame Chairwoman and Members of the Subcommittee:

I appreciate the opportunity to appear before this Subcommittee today to present our views on H.R. 4620, a bill to provide special allowances to certain Federal physicians to enhance the recruitment and retention of such physicians. I am accompanied today by Raymond C. Weissenborn, Chief, Pay Policy Division, Bureau of Policies and Standards.

Before presenting our comments and views on H.R. 4620, I would like to outline the basics of the present situation on which our positions are formed.

There are many different systems under which Federal physicians have been paid for many years. The great majority of the 20,000 Federal physicians are, however, paid under three statutory pay systems: the Uniformed, the VA Department of Medicine and Surgery, and the General Schedule system. Military medical officers are paid under an officer-rank system of military compensation. Physicians in the Commissioned Corps of the Public Health Service hold the same ranks and are paid in the same manner as military medical officers. Physicians in the Department of Medicine and Surgery of the Veterans Administration are paid

under a rank-in-person and a rank-in-job system, which resembles to the General Schedule, but is actually quite different and more flexible in operation. Finally, physicians of the General Schedule are paid under a position classification system with grade levels and their definitions set in law.

Pay under the three salary systems covering Federal physicians is adjusted annually under the Federal pay comparability system. In the comparability process, a broadly based cross-industry survey of the corresponding private enterprise salary rates of selected General Schedule occupations, excluding medical occupations, is made.

When the so-called "doctor draft," which had enabled the Uniformed Services to meet their needs for medical officers, ended in 1973, a supplemental pay, "Variable Incentive Pay," up to \$13,500 a year, was developed by the Department of Defense and authorized on a temporary basis by the Congress in 1974 to insure adequate recruitment and retention of medical officers in a draft-free environment. The legislation, which expires next October, also covers physicians in the Public Health Service Commissioned Corps.

In 1975 when the Veterans Administration experienced difficulties in meeting its needs for well-qualified physicians, especially in certain critically short specialties, the concept of a salary add-on was also

extended to the VA physicians and dentists in the form of "special pay" under a bill passed by the Congress. This temporary legislation provides for "special pay" up to \$13,500 for a four-year employment contract. It, too, expires next October.

No authority to provide "special pay" has been given to agencies employing General Schedule physicians. H.R. 4620 is an attempt to meet this need, but we do not think it is an appropriate solution in its present form.

H.R. 4620 would provide General Schedule physicians allowances (really about the same thing as "bonuses") on a permanent basis. We do not support H.R. 4620 in its present form for two interrelated reasons. First, there is no documented evidence that serious physician recruitment and retention problems exist throughout all of the agencies in which physicians are paid under the General Schedule and other systems which are covered by H.R. 4620. Current uniformed services and VA bonuses explicitly were enacted into law to overcome recruitment and retention problems, and the bonus concept should only be extended on that same basis.

Secondly, the Administration is in the process of reviewing Federal compensation policy on a broad basis. A task force of the President's Reorganization Project has developed recommendations related to civilian

compensation as part of a broader study of personnel management. These recommendations are currently under review within the Administration. Recommendations on military pay are due from the Blue Ribbon Commission on Military Compensation in March. Until the Administration has had the opportunity to fully examine these recommendations and establish a coherent pay policy, we cannot support piecemeal changes to the system.

However, if the Committee is persuaded that there is a pressing need for interim legislation, before recommendations are made by the Administration, we believe H.R. 4620 can be improved.

H.R. 4620 would be acceptable only if it were modified to provide temporary authority for bonuses to conform with the laws governing uniformed and VA physicians. The authority for entering into contractual agreements should expire on September 30, 1979, the same date as proposed in the 1979 Budget for the VA. We also think that your bill should provide that all contracts terminate as of September 30, 1981. This would be the same termination date as the VA has.

There are a few other modifications that should be made to H.R. 4620. The authority to pay bonuses ought to be consistent with the rationale underlying bonus authorities now provided to VA and the uniformed services---that is, to pay bonuses only to those categories of physicians for which there is a documented recruitment and retention problem. We

think, too, that the bonuses should be discretionary, rather than providing mandatory base amounts as proposed in H.R. 4620. In this way, the bonuses can be tailored to the different situations facing each agency.

In implementing a bill such as this, it is essential that there be authority to issue regulations and to audit the system. H.R. 4620 should provide that the regulations be subject to Presidential review and approval. The President could, if he chose delegate the authority. Also, inasmuch as such regulations would have to be developed, approved, and implemented, we think that at least 60 days, rather than 30 days after enactment, is a more reasonable time for application. The bill also should provide that the bonus system be audited by the Civil Service Commission.

All of these changes would have to be made before H.R. 4620 would be acceptable to the Administration. The Commission would be happy to work with you on them.

Let me mention one other point. H.R. 4620 should make clear that it does not apply to the Postal Service. This can be done by deleting the words "Postal Service" under the definition of "Government physician"

and "executive agency". Under the Postal Service Reorganization Act, the Postal Service already has the authority to set salaries to meet management needs. We understand that a letter dated January 30, 1978, has been sent from the Postal Service to Chairman Nix explaining this situation.

In closing, let me emphasize the importance of making H.R. 4620 temporary legislation, expiring at the same time as other temporary legislation on physicians' pay. In the meantime, the Administration will be considering alternative solutions to deal with the physician pay issue.

Again, the Commission appreciates the opportunity to comment on H.R. 4620.

This ends my prepared statement. Mr. Weissenborn and I will be pleased to answer any questions that you may have, as best we can.